

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

L-03 H-01 PA-01 PRS-01 IO-13 NEA-10 /104 W

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R 080406Z DEC 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3662

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 3/8/77

TAGS: EAID, EFIN

SUBJECT: ADB APPROVES \$15.0 MILLION LOAN FOR IRRIGATION PROJECT
IN PHILIPPINES

REF: (A) MANILA 18354, (B) TRSY 76-144, (C) MANILA 18521

1. ADB BOARD OF DIRECTORS ON DEC 7 APPROVED \$15.0 MILLION
LOAN FROM ORDINARY CAPITAL RESOURCES FOR SECOND DAVAO DEL
NORTE IRRIGATION PROJECT IN PHILIPPINES.

2. INDIAN ALTERNATE DIRECTOR QUESTIONED LACK OF ASSURANCES
AS TOPROGRESS OF LAND REFORM IN PROJECT AREA. STAFF
RESPONDED THAT THEY FELT THEY HAD A FIRM COMMITMENT FROM
PHILIPPINE GOVT TO MEET LAND REFORM GOALS IN ACCORDANCE
WITH NATIONAL PROGRAM BY A DATE STATED IN APPRAISAL
REPORT (P65).

3. KOREAN DIRECTOR ASKED IF CONSIDERATION HAD BEEN
GIVEN TO FINANCING PORTION OF LOCAL CURRENCY COSTS IN VIEW
OF FACT THAT FOREX FINANCING, ENTIRELY BORNE BY BANK,
ACCOUNTED FOR ONLY 37 PERCENT OF TOTAL PROJECT COST.
AUSTRALIAN DIRECTOR, FOLLOIWNIG, ASKED IF THIS HAD BEEN
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REQUESTED BY PHILIPPINE GOVT AND, ALSO, WHETHER CONSIDERA-

TION HAD BEEN GIVEN TO SPECIAL FUND FINANCING OF A PORTION OF PROJECT. STAFF RESPONDED: (A) AMOUNT OF BANK FINANCING LIMITED BY CONSIDERATION OF OVERALL PHILIPPINE COUNTRY PROGRAM AND, IN PARTICULAR, FORTHCOMING \$52.0 MILLION MINDANAO POWER PROJECT: (B) FINANCING LIMIT OBTAINED QUESTION OF LOCAL CURRENCY FINANCING, WHICH GOVT HAD REQUESTED; (C) SPECIAL FUND USE RULED OUT OWING TO LIMITED REMAINING SF AVAILABILITIES AND TO BANK POLICY (AT LEAST AT THAT TIME) REGARDING SF USES FOR PHILIPPINES.

4. INDIAN ALTERNATE DIRECTOR QUESTIONED "GENEROUS" ESTIMATES OF EQUIPMENT COSTS WHICH HE FELT MIGHT TEMPT HIGHER BIDS BY CONTRACTORS. HE ASCRIBED BANK PRACTICE IN THIS REGARD TO GENERAL FEAR OF COST OVERRUNS AND SPECIFICALLY CRITICIZED U.S. AND U.K. POLICY OF POSING BANK FINANCING OF OVERRUNS. STAFF EFFECTIVELY DEFENDED ITS COSTING POLICIES, POINTING OUT INTER ALIA THAT IF COST ESCALATION AND CONTINGENCIES NOT ALLOWED FOR ON INDIVIDUAL PROJECTS THEY WOULD HAVE TO BE ALLOWED FOR ELSEWHERE ON BANK'S BOOKS. U.S. DIRECTOR NOTED THAT U.S. HAD IN FACT APPROVED COST OVERRUN FINANCING WHERE INFLATION WAS ENTIRELY OF FOREIGN ORIGIN AND PROJECT WAS NOT DELAYED OR RESTRICTED BY DOMESTIC FACTORS. SULLIVAN

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Message Attributes

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Concepts: IRRIGATION, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
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Executive Order: N/A
Errors: N/A
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From: MANILA
Handling Restrictions: n/a
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ISecure: 1
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Review Comment: n/a
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Review Date: 02 JUN 2004
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Review Markings:

Margaret P. Grafeld
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